

Report of the International Relations Subcommittee of the Senate Economic Development, Trade, and Innovations Committee

December, 2009

Introduction

Strong international relations have long been essential to the economy and culture of Washington State. Not only does Washington's economy heavily depend on trade with Canada, Asia, and the rest of the world, but thousands of students come to Washington every year to earn a degree or learn about American culture. Washington's exporting and importing businesses depend on a strong infrastructure, personal relationships, an educated workforce, and a competitive economic environment to succeed. We have new immigrants opening businesses daily, providing valuable jobs and tax revenue to our communities - over 10% of Washington residents are foreign born. International visitors spend an estimated \$1.7 billion annually while traveling in the state. With \$11 billion in exports during the first quarter of 2009 alone, it is clear that Washington depends on its strong international ties. Whether you are an apple orchardist in Wenatchee trying to sell your products in Japan or a student studying nursing at Edmonds Community College, the global economy is having an effect on your life. It would be difficult to find a Washingtonian who isn't affected by international relations on a daily basis.

An understanding of how Washington is connected to the rest of the world can help in leading the state through the challenges of the 21st century. Governor Chris Gregoire remarked that "we must think of ourselves not as a state, but as a small nation." The state Senate has expressed its commitment to all things international when it created the International Relations Subcommittee (the Subcommittee) of the Senate Economic Development, Trade and Innovation Committee.

This report highlights the work of the Subcommittee and makes recommendations for further actions by the Legislature. The Subcommittee is chaired by Senator Paull Shin, a longtime advocate for international trade and higher education. The Subcommittee held a number of hearings during the 2009 Legislative Session on topics such as international education, trade, ports, consular relations, U.S.-Canada relations, and cultural exchange. This report draws on these hearings and other sources to create a snapshot of how international relations are at work throughout Washington. The report includes recommendations to improve Washington's international relations and ultimately our status on the world stage.

I) International Trade Facilitation and Policy

A number of international trade agencies and organizations have been created to assist Washington businesses and citizens in entering international trade and commerce. The Subcommittee invited state agency employees, non-profit trade development organizations, and trade groups to speak to the Subcommittee about international trade.

Local, state, and federal governments have long shared responsibility for helping businesses participate in international trade. At the local level, municipalities have teamed with the private sector to create the Greater Seattle Trade Development Alliance (TDA). The TDA sponsors both incoming and outgoing trade missions while also helping local businesses find avenues to sell the products across the globe. The state assists in international trade efforts with its International Trade Division of the Department of Commerce and dedicated trade specialists within the Department of Agriculture.

The state also assists small businesses with export finance problems through the Export Finance Assistance Center. While the International Relations Subcommittee did not hear from representatives of

the US Department of Commerce, International Trade Administration, this federal agency further assists businesses with trade promotion abroad.

The Subcommittee also heard from Washingtonians engaged in improving the impact of international trade policy on Washington companies and consumers. From the Governor's Office, Robert Hamilton plays an active role in trade negotiations in his role as the Washington State Trade Representative. The trade representative regularly monitors the impact of tariffs on Washington products and advocates for stronger state input into federal trade policy.

Presenters:

- Sam Reed, Washington Secretary of State
- Ralph Monroe, former Washington Secretary of State
- Robert Hamilton, Washington State Trade Representative
- Sam Kaplan, Greater Seattle Trade Development Alliance
- Kathleen Connors, Washington Council on International Trade
- Karl Da Gamma Campos, Department of Community, Trade and Economic Development
- David Mudd, International Trade Specialist, Washington Department of Agriculture
- Mary Beth Lang, Assistant to the Director, Washington Department of Agriculture International Marketing
- Tim Schipke, Export Finance Assistance Center

Recommendations:

- Washington should continue to support its State Trade Representative and advocate for increased state participation into international trade agreements.
- Washington should continue to fund its trade facilitation agencies as a means of bringing the state out of the economic recession.

II) Ports – Gateways to the World

Washington's ports are at the front lines of international relations as they are a key component of our trade infrastructure. Without our strong system of public ports, Washington businesses would not be able to get their goods to market. Washington's public port system was started in 1911 after citizens demanded public ports to move their products. The system has grown to become the largest locally-controlled public port system in the world. The Legislature has long relied on ports to promote economic development in the state. Ports have the authority to manage such diverse operations as marinas, airports, industrial parks, railroads, and marine terminals.

The state's largest ports, the Port of Seattle and the Port of Tacoma, are among the ten largest ports in North America and help businesses sell such diverse goods as soybeans, electronic circuits, and airplanes. Our ports are poised to capture even more of the expanding Asian market due to Washington's close proximity. Growth in trade, however, is no sure thing.

Ports compete on two points – price and speed – and Washington ports are competitive with any other on the West Coast. Ships have one less day of travel time than if they were to dock at ports in California – and fees are higher in Los Angeles and Long Beach. Currently, goods moving through ports in the Pacific Northwest are shipped as far east as Indianapolis and Louisville. However, the reach into the America's heartland is being threatened.

Canada is moving forward with plans to expand Vancouver's Deltaport and to build a new port in Prince Rupert that is expected, by 2020, to handle 5 million TEUs (twenty foot equivalent units - 1 TEU equals one standard 20' by 80' shipping container). Lazaro Cardenas, the deepest port in Mexico, is also

expanding operations dramatically. In addition, construction is underway to double the Panama Canal's capacity by 2014. The increased capacity in the Panama Canal will make ports on the East Coast more competitive, opening them up to Midwestern markets that were most cheaply reached by going through West Coast ports. Whereas West Coast ports hold a cost and time advantage currently, the advantage is expected to shift to the South and East Coast when the Panama Canal expansion is completed.

Washington's ports will need to offer competitive rates as their geographic advantage will be minimized by larger vessels and quicker transport times elsewhere.

Presenters:

- Eric Johnson, Executive Director, Washington Public Ports Association
- Clare Petrich, Commissioner of the Port of Tacoma
- Charlie Sheldon, Managing Director of the Seaport Division, Port of Seattle
- John Mohr, Executive Director, Port of Everett
- Larry Paulson, Executive Director, Port of Vancouver

The economic downturn presents further challenges to our ports. Decreasing revenues threaten their ability to invest in system preservation projects. Despite the downturn (and even more so because of it), the Legislature will need to help ports maintain their economic advantages. Any increase in costs will drive traffic to other ports. However, increased infrastructure investment is likely needed to increase time to market and replace existing infrastructure.

International Cooperation

Washington ports have benefitted from a long history of international cooperation and have close relationships with ports and businesses around the world. Sister port agreements facilitate trade and provide opportunities for Washington ports to better understand how business is conducted internationally. A few examples:

- The Port of Vancouver signed a 10 year agreement with Subaru of Japan to import more than 50% of their cars to the United States.
- In November of 2006, the Port of Everett signed a shipping agreement with Hiroshima, Japan to increase trade between the two ports.
- The Port of Tacoma has sister port relationships with ports in Taiwan, Indonesia, China, Japan, and Russia.
- In November 2009, executives from Washington ports traveled to China's World Shipping Summit to highlight our region's economic competitiveness.

Understanding Washington's ports and their issues is crucial for understanding Washington's place in the world. Without strong relationships with our trading partners, Washington ports would not be as successful as they are now. However, the ports need support to continue their mission and maintain Washington's position as a leader in international trade.

Recommendations:

- Washington should support increased rail and road infrastructure, either through direct investment or through incentivizing private development.
- Washington should increase marketing, support trade agreements, and assist local ports in reaching trade agreements with foreign ports.

III) International Trade Missions

Trade missions have a significant impact on the Washington economy. Particularly when led by state officials, trade missions offer Washington businesses an opportunity to meet consumers and potential business partners, and to experience other cultures in ways that allow them to better serve customers coming from those cultures. In particular, trade missions can greatly benefit small- and medium-sized companies that do not have the resources to make their own contacts and get meetings with high-level officials in other countries.

Presenters:

- Brad Owen, Lieutenant Governor of Washington
- Brent Heinemann, Director of the Governor's Office of Protocol and International Relations
- Bill Stafford, Executive Director of the Trade Development Alliance of Greater Seattle
- Stuart Ochiltree, CEO and Vice Chairman of Econet
- Connie Bacon, Commissioner of the Port of Tacoma
- Josephine Yung, St. Martins University
- Keith Love, Ste. Michelle Wine Estates.

The Subcommittee invited members of the executive branch that lead trade missions, members of the business community who organize trade missions, and people representing companies that have benefitted from trade missions to come speak. Trade missions have been led by a number of organizations within the state, especially the Greater Seattle Trade Development Alliance. Trade missions have also been led by Governor Chris Gregoire, Lt. Governor Brad Owen, and Secretary of State Sam Reed. Missions require extensive preparation in order to be successful. In addition to challenging travel logistics, organizers need to arrange relevant meetings with government officials and business or education leaders. Government officials are crucial ingredients for trade missions, allowing participants access to key decision makers who would otherwise be off limits to Washingtonians.

Recommendations:

- Washington should continue to encourage its elected officials to travel with trade missions.
- Elected officials should coordinate their trade mission efforts in order to increase effectiveness.

IV) International Programs in Higher Education

Washington has a variety of higher education programs with international ties, spanning all higher education sectors, including public four-year, private four-year, community and technical colleges, and private career colleges. Efforts range from international studies research, study abroad opportunities, and programs to attract international students to study in Washington. Washington benefits from these international programs in many ways, including increased economic activity, broader cultural competencies for its citizens, and a stronger reputation around the world.

The Subcommittee invited presenters from all parts of the higher education community to share their experiences and lessons learned. The Subcommittee also looked at the work of numerous groups who have formed in recent years to collaborate and share best practices in international education. These groups include the Washington State Coalition for International Education, Global Washington, and Study Washington.

Presenters:

- Dr. Sam Smith, member of the Higher Education Coordinating Board and President Emeritus of Washington State University
- Dr. Stephen Hanson, Vice Provost of Global Affairs, University of Washington
- Drs. Anand Yang and Don Hellman, University of Washington, Jackson School of International Studies
- Candace Chenowith, Director of Education Abroad, Washington State University
- Kristen Ockert, State Board of Community and Technical Colleges
- Faisal Jaswal, Star Rush, Jacob Peltier, and Katie Boudadene, Bellevue Community College
- John Paul Johnston, Executive Director, Divers Institute of Technology
- Jason Chu, Chief Operating Officer—International, DigiPen Institute of Technology

International Students

The Institute for International Education (IIE) tracks the number of international students across the United States. IIE reported that 15,943 international students came to Washington for higher education during the 2008-09 academic year. The economic impact of these international students was estimated at \$384.8 million. International students are a major source of revenue for several of Washington's community and technical colleges, as international students pay higher tuition rates. Green River, Seattle Central and Edmonds Community Colleges are the leaders in enrolling international students. South Korea is the leading country of origin for international students with 2,177 students, followed closely by Japan (1,901 students) and China (1,873 students). International students provide not only revenue to the Washington economy but also provide Washington students with opportunities to learn about our major trading partners and practice foreign language skills.

Washington's colleges and universities have recently banded together in order to better market themselves to international students. Study Washington is a group of admission counselors who pool resources and ideas to encourage international students interested in studying in the state. The group is an excellent example of how collaboration and innovation can bring more international students to the state and improve our state's standing in the world.

Studying Abroad

Of the 411,000 students enrolled in higher education in Washington in 2007-08, less than 2%, 6,480 students, studied abroad. While the number of Washington students studying abroad is growing, they face many barriers to studying abroad, especially a lack of financial support and increasing costs. Research also points to not enough faculty being interested in allowing study abroad to count towards academic requirements.

Many of Washington's colleges and universities offer opportunities for students to study abroad and several have made it their mission to ensure an international education to even those students who do not study abroad. Seattle Pacific University, for example, takes as its mission to "engage the culture and change the world." Similarly, the University of Washington aims to "educate a diverse student body to become responsible global citizens" and hopes to send 10% of its students abroad during their undergraduate education. Despite the movement of institutions towards international education as a key part of their mission, they may be slow in supporting these efforts with financial resources. Especially with reduced state appropriations, the ability of institutions to send their students abroad remains a challenge.

International students are especially attracted to Washington's innovative and well-known institutions. One such example is the DigiPen Institute of Technology, a Redmond, Washington-based university dedicated to video game programming. The university grants both bachelor and graduate degrees and was even asked by the government of Singapore to start a branch campus in Singapore. DigiPen Singapore enrolled its first students in the fall of 2008.

Still, state institutions have made great efforts to promote international education on campus. For example, the University of Washington has received international attention for its Global Operations Support program, a one stop shop for faculty and staff doing research or studying abroad. This is just one example of how Washington colleges are trying to leverage their relationships around the world and provide their students with opportunities to better understand our interconnected world.

In 2008 faculty from six colleges and universities around the state produced a set of global learning goals: 1) bring statewide attention to the importance of producing globally-competent graduates, 2) provide a platform of common goals for Washington colleges and universities to adapt to fit their own missions, and 3) position Washington as a leader in global learning. The coalition agreed upon five traits of a globally-competent graduate:

- i. A diverse and knowledgeable world view;
- ii. Comprehension of the global dimensions of their field of study;
- iii. Effective communication skills in more than one language;
- iv. Demonstrated sensitivities and the ability to adapt in cross-cultural communities; and
- v. Cross-cultural international education experiences.

Recommendations:

- Washington should support the Global Learning Goals and structure its education around these themes.
- Washington should increase the number of students studying abroad and attract more international students to its colleges and universities.

V) Official Government to Government Relations

As a gateway to the world and a home to immigrants from every continent, Washington hosts official government representatives (consulates) from 35 nations. Consulates serve two primary purposes: 1) to further the development of academic, trade, and cultural relations, and 2) to protect and assist their citizens within their host countries. Most consulates in Washington are staffed by honorary consuls – local residents appointed by foreign governments to perform consular duties. However, Washington is home to career consuls from Canada, Korea, Mexico, Russia, Japan, and Taiwan. These larger consulates also employ professional staff to assist citizens of their home countries and Washingtonians touring or doing business abroad.

Washington's government officials have long maintained strong relationships with both the professional and volunteer representatives of foreign

governments in the state. The Governor, Secretary of State, and Lieutenant Governor work collaboratively to greet international visiting dignitaries and ensure that Washington maintains its reputation abroad as a friendly and encouraging partner in business and culture.

Presenters:

- Peter Lloyd, Consul General of Canada, Dean of the Consular Corps
- H. Ronald Masnik, Honorary Consul of Belgium, President of the Consular Association
- Mitsunori Namba, Consul General of Japan
- Consul General Haryong Lee of Korea
- Daniel Liao, Director General of the Taipei Economic and Cultural Office in Seattle
- Sam Reed, Secretary of State
- Brent Heinemann, Director of the Office of International Relations and Protocol, Office of the Governor
- Antonio Sanchez, Director of Economic Development and International Relations, Office of the Lt. Governor

Washington is home to two consular organizations seeking to assist consuls in their home away from home: the Consular Corp, consisting of representatives of all recognized countries with a consular presence, and the Consular Association, which includes all members of the Consular Corp and a representative of Taiwan. Washington's location and importance in international trade has resulted in countries from all regions of the world having professional or honorary consuls in Washington.

The Subcommittee invited consuls, both honorary and career, from several regions, as well as two state employees who deal with international relations and the consular programs on a regular basis.

Recommendations:

- Washington should continue to maintain strong relations with all the consuls and honorary consuls in the state.
- Washington should support efforts to increase the number of consulates within its borders.

VI) International Cultural Organizations

While the economy of Washington is greatly impacted by international relations, our culture is equally impacted by our relationships with other countries. A number of organizations have been created in Washington that address the cultural aspects of international relations.

Many citizens of Washington have personal relationships and connections with other countries and individuals. These relationships can be used to help develop the state's relationship as a whole and ultimately, these citizens are the best ambassadors the state could have to the rest of the world.

Presenters:

- Ginn Kitaoka, Hyogo Business and Cultural Center
- Bookda Gheisar, Global Washington
- Peter Gishuru, African Chamber of Commerce of the Pacific Northwest
- Pramila Jayapal, One America
- Autumn Lerner, World Affairs Council
- Carol Vipperman, Foundation for Russian-American Economic Cooperation
- H.K. Lee, Seattle-Daejeon Sister City Association
- Daniel Liao - Taipei Economic and Cultural Office of Seattle
- Brett Halvorson, Gift of Life International
- Sam Reed - Washington Secretary of State

The Subcommittee invited representatives of a number of organizations to speak to the Subcommittee. The organizations presenting to the Subcommittee are only a small sample of the hundreds of international organizations in Washington. The Subcommittee learned that members of these organizations work all over the world, promoting expanded commerce and international dialogue. Organizations seek to educate Washington citizens on a variety of international issues, including the geo-politics of oil, non-proliferation, and the international small arms trade. Citizen diplomacy is a major focus of many groups and thousands of visitors to Washington from around the globe are hosted. The development of youth leadership in international affairs is considered of particular importance.

Groups help build strong communities overseas by developing partnerships between Washington Citizens and foreign communities in a variety of areas such as health, law enforcement, sports, and engagement in governance. Major exchanges frequently occur between Washington cities and cities overseas in a variety of areas, including science, arts, education, and tourism.

Recommendations:

- Washington should strengthen its international partnerships, support citizen diplomacy work, especially youth leadership, and promote greater cultural awareness among the residents of the state.
- Washington should increase mandates for and broaden its support of international education in the K-12 system.

VII) U.S.-Canadian Relations

Washington's relations with Canada are an important part of Washington's economy and culture. Canada is Washington's largest trading partner, and the only foreign nation bordering the state. The Subcommittee learned of a number of issues relating to the Canadian border and the efficient and secure management of cross-border flows of trade and travel.

The flow of tourists between Washington and British Columbia has long been a major driver in cultural and economic activity between the two areas. The 2010 Winter Olympics will be held in British Columbia and will focus the attention of the globe on the Pacific Northwest. This will heighten the importance of our friendly cross-border relationship - the anticipated crowds of attendees represent potential economic benefits to Washington. The state's tourism program has developed a communications plan covering marketing, public relations, media support and events, and crisis communications to prepare for the Olympics.

Presenters:

- Ian Burkheimer, Pacific Northwest Economic Region;
- David Davidson, Associate Director of the Border Policy Research Institute at Western Washington University
- Barb Ivanov, Director, Freight Systems Division, WSDOT
- Liz Luce, Director, Department of Licensing
- Becky Loomis, Assistant Director for State and Federal Initiatives, Department of Licensing
- Duane Clark, Save Our Ferry Committee
- David Moseley, Assistant Secretary of the Ferries Division, WSDOT
- Kristen Jacobsen, Tourism Inquiries Contact, 2010 Olympics Task Force, CTED
- Nancy A. Bickford, Special Assistant to the Director, Washington Military Department
- Katie Kuciemba, Sno-Gold.

Washington's budgetary constraints have forced a hard look at transportation issues between the state and B.C. The Governor's December 2008 budget proposal for the 2009-2011 biennium eliminated service on the existing Anacortes-Sidney ferry route, although the final transportation budget did not. Lengthy, unpredictable delays at the Blaine border crossing increase industry costs, and while dedicated northbound and southbound Free and Secure Trade Program (FAST) lanes provide expedited clearance for approved trucks, few use the program. Transportation and border agencies are developing ideas to increase the use of FAST lanes. Other efforts to enhance the ease of border crossing include improvements to the West Coast Truck Traveler website, the Transportation Border Congestion Relief (TBCE) Cascade Gateway project, and the International Mobility Trade Corridor project.

The border processes established in the aftermath of 9/11 have disrupted the social and economic fabric of our borderlands. Significant trade shortfalls developed between the U.S. and Canada in the period following 9/11, most likely due to higher costs of security compliance. Inefficiencies associated with cross-border commerce hamper our economy and reduce our global competitiveness. Harmonized security regimes and inspection-process modifications could help address the issue.

Washington benefits greatly from engaging in commerce with Canada, including both tourism and shipment of goods. Washington should avoid actions that would impede cross-border traffic for both goods and people.

Recommendations:

- Washington should continue to streamline the flow of goods and travelers across the United States-Canada border, while ensuring security.
- Washington should look to further opportunities to capitalize on the 2010 Olympics in Vancouver.

Conclusion

While Washington is doing well in international relations, as evidenced by the broad and diverse array of international organizations and agencies in the state, there are clearly things that can be done to further improve those relations. Some of the recommendations contained in this report can be implemented even in tight budget times. For some of the recommendations that are beyond the state's current budget, the groundwork for implementation can be laid. The creation of the Subcommittee itself is a good first step, as it demonstrates to both the citizens of Washington and to Washington's trading partners that the Senate takes the concept of international relations seriously and is willing to engage in a dialog on Washington's role in the world.